Power trends in the North

Stockholm remains Scandinavia's gateway market

Years of strong retail growth have resulted in a race for space in Scandinavia. But with competition and online penetration beginning to make their mark, the region is going through a period of realignment, writes **John Ryan**

TOUCHING down at Stockholm's Arlanda airport, one of the first things the visitor is likely to see is 'Welcome to Stockholm, Capital of Scandinavia'. It's a big claim and one that has, from time to time, caused a certain amount of quibbling among the countries and cities that comprise the region.

Yet there is some merit in the statement. With just shy of 10 million inhabitants, Sweden's population is close to twice the size of that of either Denmark or Norway. Its area is also somewhat larger than any of the other countries — if Greenland is discounted from the Danish equation — and the combination means an economy that is almost 40% larger than that of Norway, its nearest rival.

There is a tendency to confuse the Nordic region — Norway, Sweden, Denmark, Finland and Iceland — with Scandinavia, which consists only of Norway, Sweden and Denmark. Culturally, linguistically and economically, the similarities between the Scandinavian countries are greater than the differences, whereas Finland is a thing apart. In spite of these similarities, when it comes to retail and retail-property development, growth rates differ and the effect of issues such as online retail and population growth vary from country to country.

Jens Linderstam, head of retail services, Sweden, at Cushman & Wakefield, says that, in the largest Scandinavian market, things are somewhat uncertain: "You could say that we have had a long period of growth. To a large extent, this is due to the increase in the number of inhabitants and tourism in the bigger cities, particularly Stockholm, although also in the cities towards the border with Norway." He reports that, over the last two decades, this has translated into a steady demand for "increased square metres", but that currently this appears to be slowing. The reason, Linderstam says, is the growth of e-commerce in Sweden and across the region. "It has a market share of 10% and, within five to seven years, this could be as high as 25%," he adds.

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Urban outfitters: AMF is substantially through refurbishment of Gallerian, Stockholm.

This is coupled with the phenomenon of retailers and developers moving out to the edge of cities, as Sweden's tight planning climate makes building higher or extending existing assets in central locations problematic. That said, the oldest and perhaps the most central mall in central Stockholm, AMF's Gallerian, is nearing the end of a refurbishment programme that started in 2014 and is due for completion in 2019. It will add a further 8,000 sq m to the existing structure with a mix of retail and leisure.

Mentions should also be made of Unibail-Rodamco-Westfield's Mall of Scandinavia which, with a GLA of just over 100,000 sq m, is reputed to have put a strain on central Stockholm retail since it opened at the end of 2015. There is, however, no straightforward correlation between its arrival and any slowdown in the city centre. Lindestam believes that the down trend is as much to do with the predation of the internet and a less benign economic climate as additional retail space appearing on the city's periphery.

All of which means that, while there is still growth to be had in Sweden, it is for the most part a period of consolidation. The best locations in which to trade and to consider new developments or refurbishments are Stockholm and the cities

Remi Olsen, Akershus Eiendom: ***"The location [of Bispevika] is probably one of the most beautiful places on earth. You may find more beautiful places, but they're not downtown"***

to the south of the capital. All is far from lost in Swedish retail, Lindestam stresses: "Traditional retail will be the bulk of activity in this country for a long time."

To the west of Sweden, Norway is substantially better off than its eastern neighbour in terms of per-capita income. But, like Sweden, the real action is in the capital city, Oslo, which accounts for roughly 40% of the population and is currently marketed as the fastest growing city in Europe.

Curiously, the largest mall in Norway is in the extreme south of the country, about 13 km from the small city of Kristiansand. Called Sorlandssenteret, it was last refurbished in 2013 and continues to thrive. But the biggest mall in terms of turnover — although it is roughly half the size of Sorlandssenteret — and also the most frequented is Strommen Storsenter, just outside Oslo. At 65,000 sq m, this is a mega-mall and is reputed to have had, over the years, a similar effect on Oslo's retail scene as the Mall of Scandinavia on Stockholm's.

Yet central Oslo's physical retail looks buoyant. The city is also the location of a major development called Bispevika. Located on Oslo's waterfront, this is mixed-use scheme combining office, residential and retail, as well as a number of cultural elements.

Remi Olsen, senior retail advisor for Bispevika at Akershus Eiendom, is not given to understatement when talking about the project: "The location is probably one of the most beautiful places on earth. You may find more beautiful places, but they're not downtown."

Work on Bispevika started in 2001 and it is now 50% complete, with the phased opening of the remainder taking place between 2020 and 2024. Increasingly, Oslo, like Stockholm, is a tourist destination — albeit considerably more expensive — and Olsen says that he anticipates many of the scheme's visitors coming from beyond Oslo.

Bispevika's retail provision will span 14,000 sq m, with a total of 30,000 sq m when the dining and leisure elements are included. Maria Rognerud, Bispevika's retail development director, says: "It's important for us to keep cars away from the streets. We want there to be fewer cars and for it to be a good place to live in."

As might be pictured in the land of fjords and majestic landscapes, the green agenda plays large in Norway — and Bispevika is attuned to this. It is also testimony to the power of the Norwegian capital that, while much of the country's retail activity is mall-based, the latest and highest profile development is a series of modern urban high streets — indicating perhaps that the move back into town is one of the key trends in this part of the world, e-commerce notwithstanding.

And so to Denmark, the smallest Scandinavian country by area — it is only a little over 10% of the size of Norway, when Greenland is excluded — but with a capital city whose population is very close to that of Oslo. Kristian Vinggaard, partner at Cushman & Wakefield RED, says that, despite the inroads made by e-commerce and m-commerce (mobile commerce), "Copenhagen and Denmark are still doing great" in terms of physical retail.

Vinggaard admits that the picture is mixed, however. He adds that, while prime areas, such as the neighbourhood that includes Copenhagen's Illum department store, are still in demand, there are other parts of the capital where demand is flagging and where leasing is problematical in streets "less than 200 metres off pitch". He also observes that it is the high-end that is where most of the new demand is coming from, with Prada extending and Chanel opening in Copenhagen, for instance. For the mid-market, the story is the same as in many other countries and regions, with players such as H&M seeking to scale up their stores in the best locations and to get rid of those in secondary areas. Beyond Copenhagen, in cities such as Aarhus, Odense and Aalborg, the pattern pertains.

Scandinavia is a large region with a relatively small population. If there is one observation that might be made, it is that it so far seems to have avoided much of the malaise that has hit large parts of continental Europe. The online threat looms, but for moment, at least, 'hygge' seems to remain.

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Conference Room 2 - Palais -1

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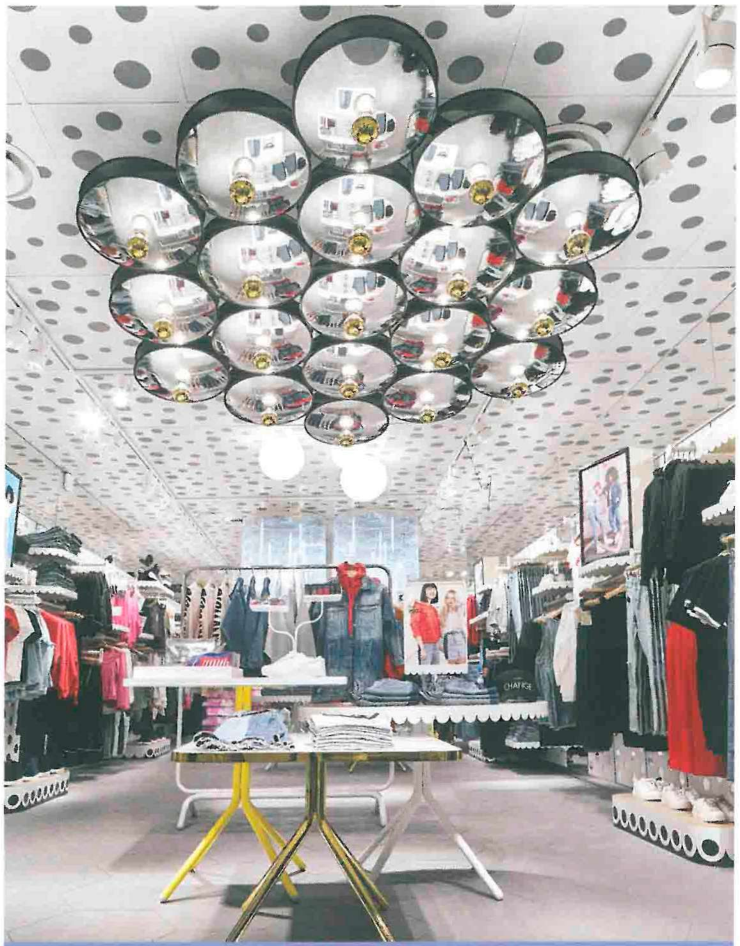
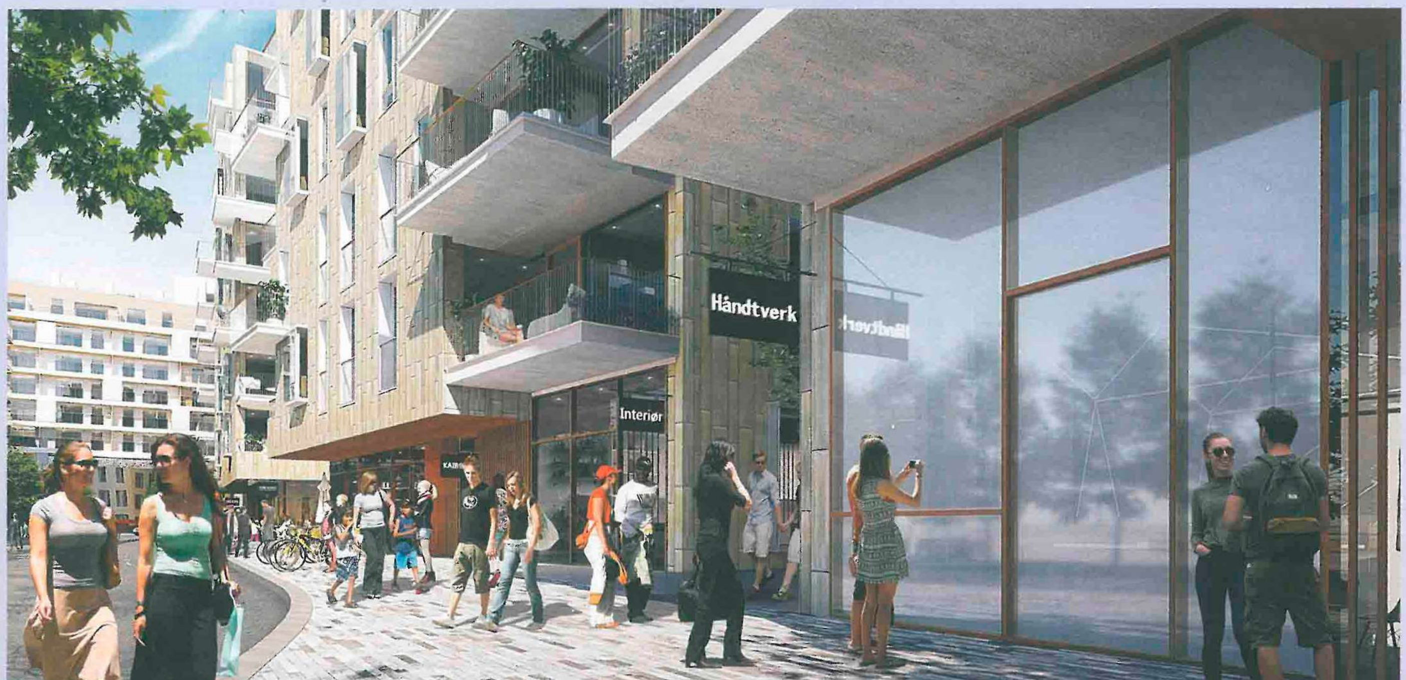


Monki do: H&M is expanding formats across Scandinavia.



Bispevika, a major development on Oslo's waterfront